

# **Customer Participation in the Support System for Small Grocery Retailers**

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## **Abstract**

In the previous research (Terashima and Dawson, 2004), we discussed a support system for small grocery retailers in order to regenerate them. The purpose of this paper is to show a mechanism which increases customer value of the support system by focusing on customer participation, because increasing customer value has a high priority as the next step for the system. In this paper, we first show that customer participation can be related to customer value through service quality. Then, we review the literature on customer participation in service and retail fields, and make clear the features and problems. After the review, we make clear the significance of a trial of AKR in which the delegates of consumer groups take part in assessing and choosing the buying items. Depending upon the example, we propose a new idea on the role of customer in service provision which is “customer as managerial staff” in the background system, and we also introduce a new idea “indirect participation” about customer participation. At the same time, we consider the importance of the cooperation with other organizations like consumer groups and the forming of good images. Finally, based on these considerations, we propose a wider framework to maximize the effect produced from customer participation. We conclude this paper with contributions to management and research.

**Key words:** Customer Participation, Service Quality, Customer Value, Small firms, Grocery Retailing

## 1 Introduction

Small grocery retailers have tended to decline in the long term, because of competitive conditions with large retailers. As a response small retailers have adopted new formats. However, with the changing retail environment that includes an increase in the elderly and disabled populations, the rise of consumer awareness about environmental problems and the needs for personal services by consumers, the role of the small retailer, that offers social experiences, has been re-evaluated (Baron, Harris, Leaver and Oldfield., 2001). Although it is likely that severe competitive conditions for the small retailer will continue in the future, these conditions offer new opportunities for small retailers who are progressive in their managerial ideas.

As we can see with the success of the convenience store in Japan, how the retailers offer the goods has become more important than what the retailers offer. Thus the customer offer through a whole system has become more impact as a source of competitive advantage than a simple response to customer needs through goods and services. (Terashima and Dawson, 2004): It is expected that small retailers who have flexibility increase their ability to compete with large retailers. Moreover, quick development and popularization in information technology may support this approach, and offer small retailers the opportunities to construct new strategies.

While the trend of dominant large retailers will not change in the future, smaller retailers may use aspect of their local social role as a way of positioning themselves that is distinctive from large firms.. Based on such point of view, we have done previous research (Terashima and Dawson, 2004) to advance the regeneration of small grocery retailers and to encourage research. In the research, we took the case of AKR which is a successful example of the survival of the Retail Grocery Market.in Japan. We tried to analyse the mechanism that provides support for small retailers and reveal the success factors which supported the construction of the mechanism. As a result, we made clear the following points;

- The mechanisms that offer advantages to small retailers were revealed; cooperative delivery, cooperative buying, the way of paying operating costs and the guarantee system for buying debts,
- Some trials to develop useful systems for the customers; the development of communication channels and the participation of representative of consumer groups in committees, and
- Basic concepts that motivate the conservative small retailers to join cooperative activity; removal of reservations felt by the members, a consistent competitive strategy aimed at low cost and high effectiveness and focus on the customer value.

We think that this AKR model is a useful approach for small retailers, because it makes it possible to benefit from economies of scale which have been difficult for small retailers in the past, or it offers many

suggestions for the retailers who wish to increase their competitiveness. And it also offers researchers many subjects for further research; comparative research between support models, improvement of the model, application of the model to other cases and so on.

The most important issue for the AKR model is how to incorporate the mechanism that can increase customer value. In the grocery market where similar merchandise ranges, price setting, promotion and distribution systems are adopted, differentiation that rests mainly on merchandise and price does not necessarily work well. Moreover customers' expectations for quality have been rising in the maturing goods and services market (Wulf and Odekerken-Schoder, 2003). Service quality has been increasing its importance to gain competitive advantages under the hard competitive condition (Mehta and Han, 2000). Therefore, retailers must seek products, processes and techniques that enable them to increase customer value (Wulf and Odekerken-Schoder, 2003). It is also obvious that customer satisfaction and customer loyalty has been increasing in importance, especially under the hard competitive environment typified by the grocery market (Juhl, Kristensen and Østergaard, 2002). It is essential for the acquisition of competitive advantage that customer satisfaction is improved with reliable relationships with customers and finally increased customer loyalty is increased through products and services quality.

Relating to the above, the mechanism shown in the Terashima and Dawson (2004) was useful mainly to improve profitability and stabilise management for small retailers through cost reduction and high efficiency by cooperative delivery and buying. This is very important for small retailers from the point of view of the management. However it does not necessarily mean that the strengthening of management assures an increase of attractiveness for the customer. It is merely a requirement for offering customer value. Mechanisms valuable not only for retailers but also for customers are essential to gain the competitive advantages and even survival under the severe condition for small retailers. In order to realize such a system, it is inevitable as a next step for the AKR model to add subsystems increasing customer value.

Therefore this paper proposes to investigate means that enable the increase of customer value in support systems for small retailers. Especially this paper focuses on customer participation in retail activities, based on past literature on customer participation in service and retail fields. In the following sections, at first we show that the customer participation can be related to customer value through service quality. Then, we review the literature on customer participation in service and retail fields, and make clear the features and problems. After the review, we make clear the significance of a trial of AKR in which the delegates of consumer groups take part in assessing and choosing the stock items. Depending upon the example, we propose a new idea on the role of customer in service provision and a wider framework to

maximize the effect produced from customer participation. We conclude this paper with contributions to management and research.

## **2 Relationship between customer value and customer participation**

In this section, we show that the pursuit of customer value can be recognised as a problem of service quality in the field of service and retail. It is also shown that the problem of service quality can be related to customer participation.

### **2.1 The importance of service quality in Customer value**

What the customer recognises as value of the product is the basis for all exchanges. Relating to this, Holbrook (1999) said that “If we follow Kotler by viewing marketing as a managerial process concerned with the facilitation and consummation of exchanges and by defining the exchange of interest as a transaction between two parties in which each party gives up something of value in return for something of greater value, we recognize immediately that consumer value plays a crucial role at the heart of all marketing activity and therefore clearly deserves the attention of every consumer researcher.”

The factors that affect customer value can be roughly divided into physical value and qualitative value. The former means economic gain produced from getting the goods/services through various kinds of input to it, and the latter can be gained from service quality involved in getting the goods/services. The value gained from exchange is understood as a combination of these two types of values.

In the retail and/or service industry that has direct contact with the consumer, it is an especially important theme to solve how the consumer or customer recognises the qualitative value and how it affects the buying activity.

We can see such research in Kim (2002). Kim (2002) analysed the strength and weakness related to the consumer value produced from shopping mall and internet, based on the classification of consumer value; efficiency, excellence, play and beauty, proposed by Holbrook (1999), and showed that the competitive position of the retailer and/or service provider can be improved by using consumer value. In the research, the four types of consumer value were resolved into many components related to service quality; convenience of shopping, input of customer, characteristics of goods, customer service, offering of amusement and stimulation, social interaction and atmosphere, and these were analysed. Ankar, Walden and Felassi (2002) proposed the following four means that the retailer can adapt to offer the customer value to their customer;

- 1) Competitive prices;

- 2) A broad and/or specialized assortment;
- 3) Superior shopping convenience; and
- 4) Superior customer service.

These means also can be seen as elements heavily related to the service quality. They analysed how these elements are shown in a grocery retail site on the Internet operated by an entrepreneur.

From this research, it is expected that service quality is heavily related to providing customer value in the field of retail and service industry. But is it real? That is, does service quality have a significant affect on the customer value? Concerning this question, Bolton and Drew (1991) have shown that service quality is an antecedent of perceived service value. Moreover, Sweeney, Soutar and Johnson (1997) empirically showed that service quality affects the recognition of economic value to consumers in the electrical product retailing. They showed not only the existence of a causal relationship from service quality to perceived value but also service quality has a bigger affect on the perceived economic value than the product quality and price.

Holbrook (1999) mentioned that relativity is one important characteristic of consumer value. The value is produced from a comparison between products and/or services, it depends on a person, and it varies from time to time within the person.

## **2.2 Service quality and customer participation**

Service industry has an essential characteristic that is the production and consumption of the service must be processed simultaneously (Marion, 1996). In service provision, service experience arises as a result of interaction between service provider, service personnel and customer, and the customer himself is connected to the production of service and its performance (Bitner, Faranda, Hubbert and Zeithaml, 1997). It is different situation with manufacturing where employees engage in production of products. That is, because of difficulty of separation of production and consumption, customer participation to the service production plays an important role in the evaluation process of service implemented by the customer (Marion, 1996). Therefore, in the service literature, research on the customer participation to the service provision process has been developed (Mills and Morris, 1986; Bitner, Faranda et al, 1997; Namasivayam, 2003), and the customer role in the service production has been discussed actively. Ennew and Binks (1999) empirically showed that participative service including customer participation affects the whole service quality, and it also affects customer satisfaction and customer retention. As mentioned above, the customer participation has been positioned as a major factor which affects the service quality, and has verified this empirically.

On the other hand, retailing offers both products and services. The combination of them has a wide range from the retailer who offers mainly products to the retailer to a pure service provider. But all retailers have both elements. Regarding the products, product quality and price are generally recognised as major factors affecting perceived value of the consumer (Sweeney, Soutar and Johnson, 1997). On the service, the consumer has conventionally recognised a trade off between service quality and price as a most important value (Kim, 2002). Moreover, when retailers offer the value to the customer, service quality is mainly a controllable factor for them. Therefore, service quality has strategic significance for the retailers. Especially, for the retailers where the customer considers the value important, the service quality is essential for them. Of course, it is possible that the retailer can control product quality through selection of provider and adoption of private brand. If it is true, the importance of service quality will not decrease the importance as a means of differentiation for the retailers, as Sweeney, Soutar and Johnson (1997) showed that the service quality has a stronger influence on recognised economic value than product quality and price. As mentioned above, many retailers have the aspect of a service provider. Therefore, service quality plays an important role in retailing. In the literature on retailing, research on customer participation has developed following research on service (Baron, Harris and Davies, 1996; Bettencourt, 1997; Harris, Harris and Baron, 2001; Keh and Teo, 2001). However, it has been shown that the results of service literature can not be necessarily adapted to the retail field (Mehta, Lalwani and Han, 2000; Finn and Lamb, 1991).

### **3 Review of research on customer participation**

#### **3.1 Customer participation in the service literatures**

Research on the customer participation in the service literature has discussed customer role in the service provision as one of the major themes. About the customer participation on service production, there have existed two different types of views in the past; one recognises it as an encouraging factor for service production and the other considers it as a blocking factor which makes for instability (Bitner, Faranda et al, 1997; Namasivayam, 2003). This paper basically takes former stance on it like much other research.

##### **1. Organizing an approach to the role of customer**

According to Bitner, Faranda, Hubbert and Zeithaml, (1997), customer participation has been proposed as a means for increasing productivity on service production. After that a new idea in which the customer can be seen as “partial employee” has been proposed because it was considered effective to improve the quality of service (Mills and Morris, 1986). Bitner et al. (1997) proposed the following three types as customer role;

- Customer as a production resource: customer can contribute to increase productivity in the service production.
- Customer as a contributor: customer can positively contribute to service quality, customer satisfaction and value of service provision.
- Customer as a competitor: customer himself can become a service producer, internal exchange.

At the same time, they proposed that there exist three stages in the level of customer participation in service provision; Low (Customer presence), Moderate (Customer Inputs) and High (Customer co-creates). They adopted these frameworks to two types of services and proved that these frameworks are effective for making clear the characteristics of the service.

Lengnick-Hall (1996) set out the role of the customer in the service provision in the process of quality management development. According to Lengnick-Hall (1996), quality control has developed from the stage of Craftsmanship to the stage of Inspection, Statistical Quality Control, Quality Assurance, Strategic Quality Management and Sustainable Competitive Quality. In the process, the customer has changed their role; the customer was previously regarded as a buyer at the first stage, the customer has now become involved at the stage of Statistical Quality Control, the customer has begun to affect the design of products and/or service at the stage of Quality Assurance, the customer has been given a central role in quality which is a major competitive tool at the stage of Strategic Quality Management, and the customer has been regarded as a potential business partner at the stage of Sustainable Competitive Quality. Lengnick-hall (1996) integrated these concepts of customer roles which have been developed in the process of customer oriented trend as follows; customer plays a role in production resources and cooperative producer at the input stage, and the customer acts as a buyer, user and product at the output stage.

Although these studies do not include them, there are three studies which propose new points of view on the customer role in service provision.

## **2. Oral participation**

Harris, Baron and Ratcliffe (1995) proposed that the customer participates in the service process not only as a physical “partial employee” as has been proposed in the past but also as a partial employee through oral communication with other customers. In the service setting, human interaction has been focused mainly on the relationships with service personnel, but Harris et al. (1995) focused on the interaction between customers, and showed a new role for the customer.

## **3. Transient employee**

Namasivayam (2003) proposed “transient employee” as a new role of customer, because he pointed out that the past studies have been insufficient from the point of view of the customer. He stressed out that



the consumer plays a major role in service delivery where the consumer creates a service product that is exactly fitting to his/her needs through combining the components which are offered by the service provider. On the other hand, he interpreted that the service provider just offers the materials and encourages the creation process. The customer is the only producer of service products, he/she enter the organisation of service provider during the creation of the service product and leaves from there when the service production is finished. Therefore, Namasivayam (2003) argues that it is more appropriate to conceptualize the customer as a “transient employee” than “partial employee”. Based on the concept, he also proposed a new theoretical framework for customer satisfaction using an employee satisfaction model which does not use the expectation and performance measure or the performance measure which is popular in the field of customer satisfaction.

#### **4. Participative approach**

Ennew and Binks (1999) proposed a participative service framework where the participation of both service provider and customer affects to the quality of service, satisfaction and customer retention. They verified it using the data from bank service, and showed the importance of a participative approach and especially made clear that the participation of the service provider affects the perceived service quality and the satisfaction of the customer and the customer satisfaction has strongly influences the customer retention.

This study proposes some new points of view on customer participation;

- Considering the participation of two types of party: the service provider and the customer,
- Including prior conditions that make the participation more efficient: ability for the participation and positive wish of the customer and positive participation of the service provider, and
- Showing the three aspects on customer participation:
  - Information sharing; beginning of participation,
  - Reliable activity; cooperative activity as a partial employee, and
  - Personal interaction; the relationships between the customer and the service personnel.

These are all important elements for considering problems of the customer participation.

### **3.2 Customer participation in the retailing literature**

As shown above, the service quality has been of increasing importance in retailing too, and more research is being produced on the service quality and the customer participation.

However it has been made clear that there exist problems if the fruits of the service literature apply to the retail settings. For example, Finn and Lamb (1991) showed that the SERVQUAL which is a typical instrument for measuring service quality in service industry did not fit the retailing setting.

In the following, we examine the characteristics and significances of major studies on the customer participation in retailing literature.

### **1. Oral participation**

Baron, Harris and Davies (1996) focused on interaction of the customer at the service delivery system, front stage, where the customer experiences the service provided to him/her. This is a similar study to Harris, Baron and Ratcliffe (1995). They divide the interaction at the front stage into the oral interaction between a customer and service personnel, OOP1, and oral interaction between customers, OOP2, and proposed that not only in the service industry but also in retailing, the customer participates in the offering of service delivery through oral communication with other customers. Based on analysis of contents of the oral communication of the customer at the front stage, they showed that there exists relevance between OOP1 and OOP2 in some kinds of customers. This supports their assumption that if we consider the customer as a partial employee, their activity should be related to the activity of full time employee. The customer plays roles not only for himself/herself but also in support other customer's shopping.

### **2. Retail theatre**

Harris, Harris and Baron (2001) and Baron, Harris and Harris (2001) proposed a unique point of view about the customer participation in which a front of shop is regarded as a kind of theatre, retail theatre. At the theatre, we can see often the scene where the audience livens up the play by cooperating with the actors. In such a situation, many cases use the theatre technique for involving the customer in the play which is developed by Brecht. For example, the way to relax the audience, encouragement of physical participation of the audience, adoption of the demonstrator, changing the stage setting, effect of lighting, stage properties, narrator, impromptu technique of the player, amateur actors and so on. Harris, Harris and Baron (2001) propose to adapt these techniques developed for the theatre to the front of shop by regarding the front of shop as a stage of a theatre, the service personnel as actors, and the customer as audience. They stress that this metaphor offers many implications for the management, especially for the human resource management and the shopping centre design activity.

As mentioned above, in retailing where similar competitive strategy is often developed, an effective way to differentiate from other competitors is truly needed. From such a point of view, the metaphor of retail theatre proposed by Harris et al. (2001) may offer an effective solution. Of course, it is easily presumed that there exist many differences between the retail and the theatre. For example, the audience at

the theatre has a positive attitude towards the theatrical performance by paying money, but the customer in the retail situation does not necessarily have such an attitude. This means that it is not certain in the retailing setting that the customer has a positive awareness for customer participation which comes under one of the prior conditions for the effective participation that is proposed by Ennew and Binks (1999). Regardless of the existence of difference between the retail and the theatre, it is expected that the techniques developed for the theatre can be adapted to the shop design and if the service personnel increase their appeal and acting ability, this will encourage customer participation.

### **3. Customer voluntary performance model**

Bettencourt (1997) proposed a CVP causal model between the customer voluntary performance, CVP, as behavioural outputs and the prior factors, and verified its effectiveness. The CVP factors derived from the review of the literature were the customer loyalty, cooperative activity and participation activity including the pointing out of any problems in the shop and the suggestions to improve the shop. These mean respectively the customer as promoter of the firm, the customer as human resource and the customer as organizational consultant. The prior factors derived from the literature were customer satisfaction, perceived support for the customers and customer commitment. As a result of analysis using the data of grocery retailer, the causal relationship between the prior factors and between the prior factors and CVP were verified.

This study includes some problems, for example the customer satisfaction is assumed as a causal factor to the perceived support for customers etc, but we can assess this study positively from the point of view of the customer participation as follows:

In this study, it is shown that the behavioural outcomes were understood as CVP, and it consists of three elements including the customer participation. This means that this study is positioning the customer participation as a result of the customer satisfaction and the service quality, although the past research treated mainly the customer participation as a means for increasing the productivity and customer satisfaction. Certainly, it must be expected that increasing the customer satisfaction for a shop produces the reliability and the attachment to the shop and it leads to strengthening the commitment and giving his/her opinion for creating prosperity of the shop. It can be seen that the customer participation in one aspect is a means for increasing customer value, at the same time it has another aspect as a managerial performance. That is, this study proposes new points of view for the customer participation; the customer participation as a measure of managerial performance and the customer participation as an organizational consultant. Moreover, this study verified empirically the causal relationships including the customer participation discussed in the past.

#### 4. Customer as partial employee

Keh and Teo (2001) proposed a conceptual framework that deals with the customer as a partial employee. Their basic idea consists of two points.

The first idea is adapting the two types of activity of the organizational employee, in-role and extra-role, to the activity of the customer. That is, they consider two types of role of the customer; in-role which refers to the work that a customer has to do when shopping and extra-role. In relation to this point of view, Lengnick-hall (1996) showed that the potential customer contributes at the input stage and the output stage. The second idea is adapting the two types of activity of the customer to CVP causal model developed by Bettencourt (1997).

Their conceptual framework on customer participation as a partial employee is that the customer input affects formation of the customer attitude which corresponds to the prior factors of Bettencourt (1997), and the attitude affects the customer extra-role which corresponds to the CVP of Bettencourt (1997). That is, they expanded the CVP causal model to the stage of the customer input. And they added newly behavioural factor “consumer tolerance” to the CVP.

As pointed out above, the customer participation has the potential for increasing the customer value. However the framework proposed by Keh and Teo (2001) includes only the minimum customer input, it does not consider the positive input factors claimed by Baron et al. (1996) and Harris et al. (2001).

As reviewed above, the research on the customer participation in the retailing field has developed from the research in service field, but it is obvious that it has been making clear gradually the components and the framework. However we can see some problems in it.

### 3.3 Problems in the past literature

Before pointing out the problems in the past literature on the customer participation, it will be helpful to listen to the opinion of Mishra (2000). In an interdisciplinary theoretical study on the service quality, he showed that there have existed the following two major research themes in the retail service field:

- Conceptualization of the service quality and its measurement, and
- Verification on financial performance and behavioural changes produced from the service quality

In this research, he pointed out that it involves the following problems: the existence of the bias to analyse the perceived construction of the customer perception of service quality and to make clear the psychological process of the customer, and lack of attention to the prior process affecting the service quality, for example, award system for the employee, job training etc. Based on such considerations, he

proposed some research courses in the future: the service quality should be related to the past and the object of the research should be expanded to include many factors affecting the service quality.

From above studies, we can point out the next problems about the past literature on the customer participation.

### **1. Focusing on the customer participation in the service provision system**

Many studies have focused on the problems of customer participation at a shop where the service is delivered to the customer. This service provision system that the consumer can see directly was named “front stage” by Baron, Harris and Davies (1996). However we can find other stages where the customer/consumer can take part. For example, Terashima and Dawson (2004) showed that in the case of AKR, representatives of consumer groups take part in a committee, and try to evaluate the item offered at the shop of a member of the group from the point of view of a consumer. The AKR gathers many opinions through the customers’ applications for free gifts in the Otoku newspaper. Aeon which is one of the largest retailers in Japan tried to appoint a consumer to the post of assistant manager, and make the managerial policy to appeal the consumer through the trial (Terashima, 2003; Nikkei Marketing Journal, 16th/May/2002). Although it is not an example of retailing, in the case of the Let’s Note which is a series of lap top computers made by Matsushita Electric Industrial Co., Ltd, the lively argument to improve the product is developed in a user forum, and it is actually reflected in the development or improvement of it (Terashima, 2001)..

### **2. Concentrating on service provision setting**

As we can easily understand it from the pointing out of Mishra (2000), the research in the past mainly focused on specific aspects of service provision. However the customer participation is not a single experience, the effect is increased through many experiences. Therefore the research should go back and link these experiences.

### **3. Lacking of the strategic point of view of forming a image on the customer participation**

The past research on the customer participation has targeted each service delivery, and expected that offering a high level of service quality produces better managerial performance. In the research, it is not necessarily clear that the customer participation is positively positioned as a strategic management tool for improving competitiveness. Moreover, although forming of good image is a very important theme for the retailers, it seems that the customer participation has not been used for that aim.

### **4. Lacking of the point of view of systematic approach**

The past research on the customer participation has considered mainly the interactions between the customer and the service personnel, between the customers, between the customer and the physical

environment including facilities of the shop (Baron, Harris and Davies, 1996) and so on. Although the customer participation can be developed at many stages in the management of business as we argued above, and it is also supposed that the customer participation is influenced by many elements in the prior process as Mishra (2000) pointed out, the research in the past has been less interested in such problems. Moreover it has not been positioned as a long-term and systematic activity from the point of view of a whole organization.

#### **4 Customer participation system for small retailers: customer as managerial staff**

In this section, based on the above argument and the trial for the customer participation of AKR, a new way for the customer participation is examined. As a result, this will offer a solution for the biggest issue of the AKR model, addition of the mechanism increasing the customer value, through the customer participation. At the same time, this also offers useful suggestions for the support organizations and small retailers.

##### **1. Customer as managerial staff at the background stage**

In 2002, AKR invited the representatives of consumer groups as members of a committee and tried to evaluate and select the items for cooperative buying (Terashima and Dawson, 2004; AKR Kyoueikai, 2003). This trial does not come under any of the roles of the customer discussed in the past literature on the customer participation: customer as production resources, customer as a partial employee and customer as transient employee, because it has some aspect obviously different from these.

The first difference is that all of the roles of the customer discussed in the past literature have focused on the front stage where the service is delivered directly to the customer, whereas the trial targeted the stage of evaluation and selection of the items purchased where the participation can be never seen by the usual customer. We can understand that the trial is developed at the “background stage” as opposed to the front stage and that they participate directly in a managerial task like buying not in the service provision. Therefore it is more appropriate to interpret that the customer plays a role as “managerial staff” that exceeds the role of the partial employee or the transient employee. Moreover we can also understand that this trial offers many customers the opportunity for customer participation through the buying of items reflecting the point of view of the consumer and that this is appropriate to be called “indirect customer participation” as opposed to the direct customer participation at the front stage. This trial will lead to the buying of safe food products from the point of view of the consumer. The ordinary customer will benefit from the indirect customer participation through repeated purchases of such products. This is very different

from the customer participation dealt with in the past literature where the customer participation focused on each service delivery and on the external and short-term service experience. Therefore it will be essential for positive result of the indirect customer participation to encourage the ordinary customer to understand the policy of retailers for the customer participation, and to promote the introduction of buying based on the point of view of the consumer.

## **2. Alliance with consumer groups**

The second difference is that the customer participation developed in the past literature targeted the individual customer, but the trial focused on the representatives of the consumer groups. Of course, the number of customers taking part is restricted to some extent due to the nature of this system. However, in general, the representatives of consumer groups have strong consciousness of the problems of safety of food and recycling etc., therefore the participation is expected to be active and of a high level. As mentioned above, about the customer participation of the ordinary customer, there exist two types of view: it can increase the service quality and it can be a negative factor for the stability or efficiency of the service delivery system. However, it is also expected that the customer participation by way of the representatives of the consumer groups will lead to the removal of such instability from the system. Moreover, the representatives of the consumer groups have a strong influence not only on the members of the group but also on the ordinary consumer. If it can be well managed, it will encourage the formation of good images of the retailers for the broader consumer and of the indirect customer participation.

When the limitation of resources of the small retailer is considered, it is expected that the effect of the alliance with the consumer groups like this will be significant. Regarding this matter, we can see a useful case in the literature (Anckar, Walden and Felassi, 2002).

Anckar et al. (2002) dealt with a case of Nettimarket.com in the study of the grocery shopping on the Internet. The site was started by an entrepreneur in Finland and adopted a unique business model which enabled low rental cost and avoidance of the risk of over stocking and under stocking by cooperation with the wholesaler. This site has been growing rapidly, but it was produced from unexpected resources. They showed that the sources of the growth was not found in the customer who regarded the convenience of the Internet shopping as important, but it was found in the cooperation with the helpers who take care of elderly people and disabled people. With the increasing needs for home help, the entrepreneur proposed outsourcing shopping to him/her to improve his/her task, because the time taken for routine shopping had affected the time available for other tasks. At first some problems were experienced, uneasiness about online orders and mistakes in delivery etc., but as they got used to the service system, the satisfaction of the home helpers for the service has increased. The success factors of this service are: removal of obstacles for

the online shopping by targeting the home helper not the elderly people and disabled people who are those who find the information technology most difficult to deal with, and offering the service which fits the true needs of home helpers who wish to complete the routine shopping as quickly as possible. These factors make it possible to take in the demand for grocery goods of elderly and disabled people and to establish the customer basis of the internet site. This case includes many implications for manager and researcher. Regarding our study, we can see the importance of cooperation with appropriate customer groups, for small retailers. This case supports the trial for the customer participation by means of the cooperation with the consumer groups.

### **3. Formation of positive image on the customer participation**

The image of retailers is the way of recognizing strategies of the retailer for the customer, and it is expected that changing to the friendly image attracts many more customers, sells the more profitable products and raises the average price of the customers' shopping basket (Davies and Harris, 1990). Regarding this point of view, it is expected that the customer participation as a managerial basic policy and the cooperation with particular customer groups is a very effective way to form a good image between the customers. This is because it makes it easy to demonstrate the openness of managerial policy and the customer oriented position of the retailers and to differentiate from other retailers.

As these activities related to the customer participation can not be seen directly by the general customer, making these activities attractive to them has especially important meaning, for example introducing the committee cooperating with consumer groups to the customer, promoting the items which are evaluated highly by the committee and so on. Regarding the formation of image, it is important to utilize the communication channel trusted by the customer; publicity, word of mouth and cooperation with consumer groups, as well as advertisement using handbills and at point of purchase etc.

### **4. Framework for the wider customer participation**

As we have examined the customer participation above, it has many aspects and relationship with many factors. Therefore, in order to connect it with the acquisition of competitive advantage, it is obvious that focusing only on each service delivery at the front stage is insufficient for the purpose, and a long-term and systematic approach is needed there. At the same time, it is also necessary to adopt the strategic approach which places the customer participation as a basic managerial policy that regards the cooperation with the appropriate consumer/customer group as important, and positively encourages the customer participation.

Therefore, we propose a framework of wider customer participation for the small retailers which consists of four components (see fig 1):



**1) Customer participation cooperating with consumer/customer group as a basic policy**

At first the small retailers should make clear their policy that positions the customer participation cooperating with consumer/customer group as a basic issue for getting the competitive advantages, because, as mentioned above, the cooperation with appropriate groups will work effectively especially in the case of the small retailers who are restricted in management resources. Therefore the possibility of extensive cooperation should be considered. This approach is useful not only for promotion of the customer participation but also for acquisition of the particular customer as shown at the case Nettimarket.com (Anckar, Walden and Felassi, 2002).

**2) Customer participation at the front stage**

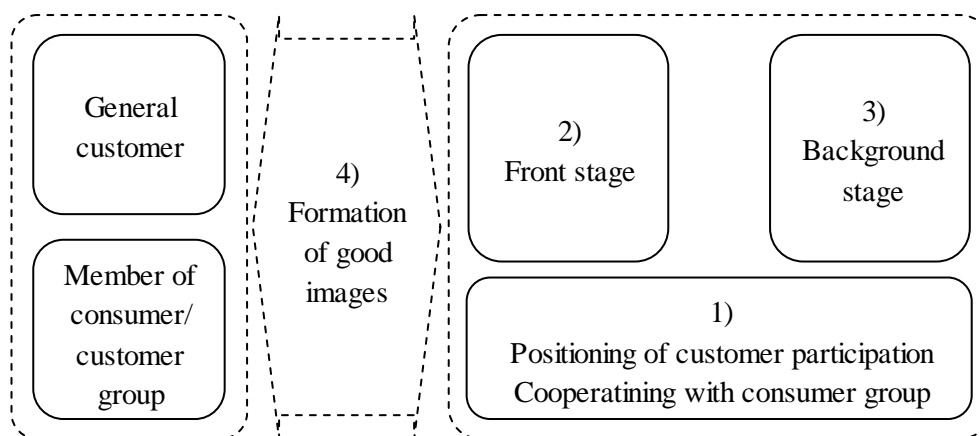
Past literature shows that in order to deliver the service experience with high quality at each service provision, it is important to increase the ability of each service personnel and to encourage the interaction of the customer at the shop. The service personnel are needed not only as specialists for the products but also as actors in the retail theatre who have personnel magnetism and impromptu acting techniques. And the encouragement of interaction between the customer and the service personnel and between the customers should also be considered.

**3) Customer Participation at the background stage**

This approach makes it possible to encourage various types of customer participation. In addition to the evaluation and selecting of items purchased, we can consider other examples which are effective for customer participation: merchandising, planning of events, editing of communication medium, evaluation of customer satisfaction and its feedback to the shop etc.

**4) Formation of the image of customer participation**

The policy and activities of customer participation should be positively promoted to form good images for a wide range of consumers, because it can not be seen by the general consumer. It can be developed for two targets, general consumer and member of the group cooperating with retailers, using various media.



**Figure 1 Framework for the wider customer participation**

## 5 Conclusion and Implications

We examined above the mechanism that increase the customer value focusing on the customer participation that was the most important problem in the support model for the small grocery retailers.

Reference to previous literature, the paper showed that customer value has a strong relationship with the service quality, and customer participation has an important role in increasing the service quality. We stressed the importance of the customer participation in increasing the customer value of the process. Then, we reviewed the past literature in the service and retail fields, and made clear the characteristics and problems: focusing on the customer participation at the service provision system, concentrating on service provision setting, lacking of the strategic point of view of forming image on the customer participation, and lacking of the point of view of a systematic approach. On the basis of the review, we interpreted the managerial and research meanings of the trial approach to the customer participation of AKR that includes the evaluation of the item purchased. Through the example and the basis of the past literature, we proposed some new ideas related to customer participation: the customer participation in the “background stage”, customer as “managerial staff” and “indirect participation”. At the same time, we made clear the significance of the cooperation with consumer/customer groups especially for the small retailers, and pointed out the importance of the formation of good images. As a result, we proposed a framework consisting of four components to position and promote the customer participation as a basic managerial policy.

The paper has contributions to management and research as follows:

### 1) Contribution to management

We showed that two mechanisms are essential for the system in support the small grocery retailers: One is the system for the small retailers which mainly consists of cooperative buying and delivery, and another one is the system for the customer which increases the customer value. In the previous paper we showed the former, and in this paper we showed the latter focusing on the customer participation.

The paper pointed out the possibility of customer participation at the background stage, the importance of cooperation with particular consumer/customer groups, and the importance of formation of good images of customer participation. Finally we proposed the framework for the strategic and wider customer participation. We think that these indications and propositions offer many suggestions or courses for management. For example, if the manager can adapt these ideas to his many functions on the operation of the shop, he would be able to find room for customer participation and the steps should be taken in the future.

## **2) Contribution to research**

In this paper, we have made clear the characteristics and problems of customer participation especially in research in the retail field, based on the review of past literature on the customer participation in the fields of service and retail. We expanded the research field from the front stage to the background stage. In the background stage, we proposed a new role for the customer/consumer as “managerial staff” and a new idea of “indirect participation”. Moreover we proposed a framework that enables the strategic development of wider customer participation.

The paper has tried only to show the theoretical aspect of the consumer participation for the support system of the small retailers. Therefore, in the next step, we have to verify the effectiveness of the idea and framework proposed in this paper, and further research is required to improve the results of this research.

The paper is the output of studying abroad using the system of Ryukoku University in 2003 academic year.

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